



**City Auditor's Office**

June 29, 2007

Honorable Mayor and Members of the City Council  
City of Arlington, Texas

Dear Mayor and Councilmembers:

The City Auditor's Office has performed a follow-up audit of our November 3, 2006 Treasury Management Audit report. The purpose for the follow-up was to verify implementation of the recommendations presented in our original report.

Based on our follow-up audit, the City Auditor's Office concluded that management has fully implemented our audit recommendations.

We would like to thank the Financial Services Department for implementing these recommendations in a timely manner.

Sincerely,

Patrice Randle, CPA  
City Auditor

Enclosure

# ***TREASURY MANAGEMENT AUDIT FOLLOW-UP***



*Office of the City Auditor*

**Patrice Randle, CPA**  
City Auditor

***Project #07-09***

***June 29, 2007***

## ***Executive Summary***

The City Auditor's Office has completed a follow-up audit of our November 3, 2006 "Treasury Management Audit" report. The purpose of the follow-up audit was to verify implementation of the recommendations presented in our original report.

Management concurred with our audit findings and related recommendations included in the original audit report. Management's responses as included in our original report and actions taken since the date of our original report are summarized below.

Based on our follow-up audit, we conclude that management has fully implemented all of our audit recommendations.

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### ***Recommendation:***

The Director of Financial Services should develop written procedures for the investment function.

### ***Management's Response:***

*The Cash and Debt Administrator will prepare the written procedures and present them to the Investment Committee for review prior to the November 16, 2006 committee meeting so that the written procedures can be approved on November 16th.*

*Target Date: November 16, 2006*  
*Responsibility: Cash and Debt Administrator*

### ***Implementation Status:***

Implemented. During its review, the City Auditor's Office noted that the Financial Services Department presented written investment procedures to the Investment Committee on November 22, 2006.

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**Recommendation:**

The Director of Financial Services should request that the Investment Committee revisit existing diversification guidelines and incorporate any resulting changes in the investment policy.

**Management's Response:**

*The Cash and Debt Administrator will re-examine the current practices relating to the diversification of the portfolio; develop a written policy defining maximum percentages of any type of investment instead of the current practice which defines minimum investment levels and present the recommendations for codification into the Investment Policy to the Investment Committee prior to the November 16, 2006 meeting for review and adoption on that date. Revisions to the Investment Policy will be presented to the City Council for adoption.*

*Target Date: November 16, 2006  
Responsibility: Cash and Debt Administrator*

**Implementation Status:**

Implemented. The Financial Services Department presented a revised Investment Policy to the City Council on January 23, 2007. The revised investment policy included new diversification guidelines which were approved by the Investment Committee and by City Council. The City Auditor's Office noted that the percentage of investment in US Treasury Securities decreased, in favor of higher yielding investments. The change in diversification guidelines has allowed the City to increase interest earnings.

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**Recommendation:**

The Director of Financial Services should revise the investment performance measures to more effectively evaluate the City's practice.

**Management's Response:**

*The Cash and Debt Administrator will re-examine the investment portfolio performance measures and revise as necessary to more effectively evaluate the City's actual performance. The recommended changes to the Investment Policy will be distributed the Investment Committee prior to the November 16, 2006 meeting for their consideration and adoption on that date. Any changes to the Investment Policy will be presented to the City Council for adoption.*

*Target Date: November 16, 2006  
Responsibility: Cash and Debt Administrator*

**Implementation Status:**

Implemented. Per the revised Investment Policy, the City adopted a performance measure that is more comparable to the composition of the City's portfolio. The City Auditor's Office noted that the revised performance measure was used in recent calculations of performance results utilized by the Treasury Division.



***Recommendation:***

The Director of Financial Services should exclude the performance measure for tax-exempt investments from the City's Investment Policy.

***Management's Response:***

*The exclusion will be presented to the Investment Committee for review and approval at the November 16, 2006 Investment Committee meeting, and subsequently presented to the City Council for approval.*

*Target Date: November 16, 2006*

*Responsibility: Cash and Debt Administrator*

***Implementation Status:***

Implemented. The City Auditor's Office noted that as part of the revised Investment Policy, the performance measure for tax-exempt investments was eliminated from the policy and not published in any recent publication of investment results.

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